

IRS Fact Sheet

Media Relations Office

Washington, D.C.

Media Contact: 202.622.4000

www.irs.gov/newsroom

Public Contact: 800.829.1040

Electronic Payment Options for 2006

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Taxpayers can pay taxes electronically by authorizing an e-pay option such as an electronic funds withdrawal from a checking or savings account or by paying with a credit card. Taxpayers making more than one estimated tax payment may want to enroll in EFTPS.

Individuals can use these options to:

- Pay taxes owed on a 2005 income tax return,
- Pay projected tax due when requesting an automatic extension of time to file,
- Pay quarterly estimated taxes for Tax Year 2006, and
- Make a credit card payment for past due tax owed for years 1996 and after.

Businesses can use these options to:

- Authorize an electronic funds withdrawal to pay taxes owed on employment, corporate and fiduciary tax returns.
- Authorize an electronic funds withdrawal to pay projected tax due when requesting an extension of time to file.
- New for 2006, make a credit card payment for taxes owed on employment tax returns (Form 940 and 941). The payment can be made for the balance on the current return that is due. Additionally, Form 941 filers can make credit card payments for up to three prior quarters. For example, in January 2006, Form 941 balance due payments will be accepted for Tax Year 2005, first, second, third or fourth quarter. Note — federal tax deposits cannot be paid by credit card.

The IRS has entered into partnerships with private industry, including credit card processors and tax preparation software developers, to make these electronic payment options available.

- More than 2.6 million people paid their federal taxes by electronic funds withdrawal or credit card during 2005, an increase of 47 percent over the prior year.

Electronic Funds Withdrawal

Electronic funds withdrawal is free and taxpayers decide when the tax payment is scheduled to be withdrawn from their bank account. Electronic funds withdrawal is available only to those

who e-file. Individuals may e-file early and, at the same time, schedule the electronic funds withdrawal as late as April 17, 2006. For taxpayers in Maine, Maryland, Massachusetts, New Hampshire, New York, Vermont, and the District of Columbia, the filing deadline is April 18 because their returns are processed at the IRS center in Andover, Mass. For returns filed after the filing deadline, the payment is effective on the deadline.

A 2006 individual estimated tax payment can be made through electronic funds withdrawal only when e-filing a 2005 tax return, whether or not there is a balance due on the return. The quarterly estimated tax payment may be the payment due in April, June or September. Only one estimated tax payment can be made through electronic funds withdrawal per year.

- In 2005, more than 1.16 million taxpayers paid their taxes through electronic funds withdrawal, an increase of 39 percent over the prior year.

Credit Card Payments

Taxpayers can make credit card payments whether they file electronically or file a paper return. Credit card payments can be submitted via tax software when filing electronically. Credit Card payments can also be made over the telephone and by filing on line.

- In 2005, about 1.5 million taxpayers paid by credit card, an increase of 54 percent over the prior year.

The IRS does not set or collect any type of fee for credit card payments, but the private sector companies the IRS has authorized to process these payments do impose convenience fees. The tax payment sent to the U. S. Treasury and the convenience fee are listed separately on the cardholder's credit card statement.

For those who e-file their taxes, some tax software developers offer integrated e-file and e-pay combinations for those who choose to use a credit card to pay a balance due. The software accepts both the electronic tax return and the credit card information. Subsequently, the tax return and tax payment data are forwarded to the IRS and the credit card data is forwarded to the payment processor.

For the 2006 filing season, the IRS has awarded contracts to two companies to accept credit card charges from both electronic and paper filers. Each company offers both phone and Internet payment services and each charges a convenience fee for the service. Fees are based on the amount of the tax payment and may vary between companies. The two companies are:

- Link2Gov Corporation, 1-888-PAY-1040 (1-888-729-1040), 1-888-658-5465 (Customer Service), www.PAY1040.com, and
- Official Payments Corporation, 1-800-2PAY-TAX (1-800-272-9829), 1-877-754-4413 (Customer Service), www.officialpayments.com.

Anyone may use these services to charge taxes to an American Express, Discover, MasterCard or VISA credit card.

Electronic Federal Tax Payment System (EFTPS)

EFTPS is a free tax payment system provided by the U.S. Department of Treasury, enabling taxpayers to pay federal taxes electronically — on-line or by phone — 24/7. Taxpayers can enroll by visiting www.EFTPS.gov or request an enrollment form by calling the EFTPS Customer Service at 1-800-555-4477. Taxpayers can use EFTPS to make all federal tax payments, including income, employment, estimated and excise taxes.

EFTPS offers taxpayers the convenience and flexibility of making secure tax payments through the Internet or by phone. One calendar day in advance of due date, taxpayers access EFTPS directly to report tax information. Taxpayers instruct EFTPS to move funds from an account to the Treasury's account for payment of federal taxes. Funds will not move from a taxpayer's account until the date chosen by the taxpayer, who receives an immediate acknowledgement of payment instructions. The taxpayer's bank statement will confirm the payment was made.

Businesses should enroll in EFTPS to make any additional tax payments that their Third Party Provider is not making on their behalf. The IRS recommends employers verify EFTPS payments as part of their bank account reconciliation process.

Businesses can pay all their federal taxes using EFTPS. Individuals can pay all their taxes including quarterly 1040ES estimated taxes electronically using EFTPS, and they can make payments weekly, monthly or quarterly as well as schedule payments for the entire year in advance.

For more information on electronic payment options, go to IRS.gov and look for the EFTPS and IRS e-file logos or enter keyword "e-pay" in the search box.